

TESTIMONY OF STACY DEAN
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Thank you for providing me with the opportunity to testify today. I am Stacy Dean, Director of Food Stamp and Immigrant Policy for the Center on Budget and Policy Priorities. The Center is a non-profit institute here in Washington, D.C. that conducts research and analysis on an array of policy issues affecting low- and moderate-income families at both the state and federal levels. We receive no government funding.

My testimony today focuses on the Food Stamp Program and issues that should be addressed during the upcoming reauthorization of the program.

The food stamp program was created to provide low-income families and individuals with resources to enable them to purchase an adequate diet. The program, which is widely believed to be the single most important anti-hunger program in America, does an excellent job of providing poor households with basic nutritional support. When the program was first established, hunger and malnutrition were much more serious problems in this country than they are today. A team of doctors the Field Foundation sponsored that examined hunger and malnutrition among poor children in the South, Appalachia, and other very poor areas in 1967 (before the food stamp program was widespread in these areas) and again in the late 1970s (after the program had been instituted nationwide) found marked reductions over this 10-year period in nutrition-related problems among children. The doctors attributed a significant part of this reduction to the food stamp program. Findings such as this led then Senator Robert Dole to describe the food stamp program as the most important advance in the nation's social programs since the creation of Social Security.

Today, food stamps continue to be a vital support to poor families, particularly working poor families. Without them, many families, people with disabilities and seniors simply could not afford to put food on the table each day. Nonetheless, food stamps could be made better. Reauthorization is an opportunity to review the program's strengths and weaknesses and find ways to improve the program for individuals in need.

Strengths of the Food Stamp Program

As the Committee evaluates the food stamp program during reauthorization, I would like to take this opportunity to highlight its most significant strengths. These aspects of the program should be preserved and, if possible, augmented.

Entitlement Structure – As an entitlement program, food stamps support communities during times of economic downturn by automatically responding to increased need. This is true both on

a national and a local level. The program is the second most important anti-recessionary resource we have when unemployment rises; only unemployment insurance has a greater counter-cyclical impact. At the same time, food stamp spending automatically decreases during times of economic prosperity, such as the late 1990's.

National Benefit Structure – Although states have flexibility in how they administer the program, the food stamp benefit is essentially uniform across all states. By evaluating families' needs uniformly, the program ensures that poor families have adequate nutritional resources. Families in North Carolina need to eat just as much as families in California.

Consistent eligibility standards across states substantially reduce gaps among states in their overall support for poor children. A family's food stamp benefits depend on its income; therefore, food stamp benefits tend to be higher in states that provide low cash-assistance benefits and in which wages are lower than average. For example, cash-assistance benefits for families with children that have no other income are four times higher in states that make the highest cash-assistance payments than in the lowest-payment states. When food stamp benefits are added in, this disparity narrows to two-to-one. This aspect of the food stamp program is especially important to southern states and rural areas due to their lower cash assistance benefits and lower overall wages.

Near Universal Eligibility for Low-Income Individuals – Unlike most means-tested benefit programs, the food stamp program is broadly available to low income individuals with income below 130 percent of the poverty line. (This is \$1,533 in monthly income or almost \$18,400 in annual income for a family of three.) The program serves families with children, low-wage workers, the elderly, and the disabled. Thus, food stamps essentially provide the basic safety net under poor households. Almost 90 percent of households participating in the food stamp program contain a child or an elderly or a person with a disability.

Benefits Targeted to Those Most In Need – The food stamp program is designed to target benefits on those most in need and least able to afford an adequate diet. It not only evaluates a household's income level, but also determines the cost of essential household expenses (such as rent, medicine, and child care) before determining benefits. Although a family's total income is the most important factor affecting its ability to purchase food, it is not the only factor. For example, a family spending two-thirds of its income on rent and utilities will have less to buy food than a family that has the same income but lives in public housing. While the targeting of benefits adds some complexity to the program, it provides additional help to the poorest families who struggle the most.

Food Stamps as a Work Support – Food stamps serve as an important work support in several ways. First, the program helps low-wage workers make ends meet. Leaders from across the political spectrum have agreed that a family supported by a full-time, year-round minimum wage worker should not have to live in poverty. A family of four supported by a full-time, year-round minimum wage worker, however, will fall short of the poverty line by 25 percent (even after counting the Earned Income Tax Credit) if the family does not receive food stamps. Food

stamps play a vital role in bringing these families close to the poverty line and ensuring that their hard work is more adequately rewarded. Poor families should work if they are able to do so, but many who work do lack the skills to obtain the kinds of jobs that pay well enough for them to afford the basic necessities. Moreover, unlike the EITC, food stamps come to families throughout the year and thus are available to help them meet monthly expenses.

Furthermore, the proportion of food stamp families with children in which a parent works has

grown dramatically in recent years, while the proportion of food stamp families that receive cash welfare benefits and are not employed has fallen sharply. In FY1994, 29 percent of households with children had earnings while 54 percent had cash welfare and no earnings. By 1999, 42 percent of households with children had earnings while 39 percent had TANF cash assistance income and no earnings. Food stamp households with children in which a household member works now outnumber food stamp households with children in which the household receives public assistance and does not work.

The food stamp benefit also contains an important work incentive. For every additional dollar a food stamp recipient earns, his or her benefits decline by just 24 to 36 cents. Thus, the program gives workers economic incentives to work longer hours or to search for better-paying employment. In addition, households remain eligible for food stamps until their incomes reach 130 percent of the poverty line. Since many families leave cash assistance for wages that provide incomes significantly below this threshold, food stamps can help supplement their wages.

Food stamps also support the work effort of two-parent families. Unlike other programs for low-income families, food stamps have always been available for two-parent families or families with

two adults in the household. Therefore, the program serves a number of families in which one parent stays home to provide child care in order to enable another parent to work or look for work.

Food Voucher — By providing benefits in the form of a food voucher, food stamps respond directly to families' food needs. In addition, food stamps also provide important support to the farm economy. Several studies by the Food and Nutrition Service as well as the Economic Research Service of USDA have found that food stamp benefits increase food purchases by

21 percent are citizen children of immigrant parents and 6 percent are immigrants themselves. Unfortunately, many citizen children of legal immigrants who remain eligible for the food stamp program are not participating. These families may be confused about food stamp eligibility rules. In some cases, the child's benefit maybe too small for the household to invest the effort to maintain food stamp eligibility.

Participation among citizen children with legal permanent resident parents declined more than 70 percent from 1994 to 1998, from 1.35 million to 350,000, more than twice the overall rate of participation decline for this period. In 1994, 76 percent of eligible low-income children received food stamps, but in 1998 only 38 percent of eligible children participated. The impact on these families has been dramatic. According to the Urban Institute, 37 percent of all children of immigrants live in families that worry about or encounter difficulties affording food, compared with 27 percent of children of natives.

States, localities, and charitable organizations also have been affected by the restrictions. Sixteen states now bear the financial responsibility for providing food stamp replacement programs to immigrants made ineligible under the federal rules. These state-funded programs are playing a critical role in assisting poor immigrant families. It is not clear, however, what the fate of these programs will be when states begin to feel inevitable budgetary pressures caused by an economic downturn.

Single Childless Adults – A food stamp provision of the 1996 welfare law limited the receipt of food stamps for most people between the ages of 18 and 50 who are not disabled or raising minor children to three months while unemployed out of each three-year period. The Congressional Budget Office has estimated that in an average month, this provision has served to deny food stamps to about 400,000 low-income jobless individuals who are willing to work but cannot find a job and who have not been offered a work slot by the state. This group includes people who have been working but have lost their jobs due to a plant closing, company downsizing, or for other reasons and cannot find employment within a few months.

This provision marks the first time in the food stamp program's history that individuals have been cut off from the program not because they have refused to work but because no work opportunity is available to them within the time period the provision specifies. Although legislation enacted in 1997 provided states with funds to serve this population with work slots as well as the authority to exempt a limited number of individuals from the time limit, few states have elected to do so.

Erosion of the Food Purchasing Power of the Benefit

In 1996, the budget environment was very different than today. The federal government was running a large deficit which the Congress and the Administration were committed to eliminating. As a result, the Budget Committees instructed the Agriculture Committees to achieve significant savings in the food stamp program. Over \$28 billion in food stamp cuts were enacted in the welfare law.

Half of the budgetary savings in the welfare law came from the food stamp program, and two-thirds of those savings came from benefit cuts affecting all or broad segments of food stamp recipients. (About 31 percent of the savings came from making many legal immigrants and childless adults ineligible for food stamps; only a tiny amount reflected reductions in administrative costs, anti-fraud measures, and sanctions to enforce behavioral requirements.) The majority of these food stamp benefit reductions came in the form of across-the-board or quasi-across-the-board benefit reductions that lowered benefits for working families and the elderly and disabled, along with other households.

For example, the law reduced the maximum benefit by about three percent and eliminated many of the inflation adjustments in food stamp eligibility and benefit calculation formulas. Consider the impact: a typical family of three with monthly income of \$957 (or 81 percent of the poverty line) is eligible for \$154 in food stamps under current law. If the welfare law had not included across-the-board benefit reductions, the household would receive \$174, or 11 percent more each month.

The real value of the food stamp benefit will continue to deteriorate over time as the program becomes steadily less responsive to the rising cost of living. This will make the Food Stamp Program less effective in helping low-income families purchase a nutritionally adequate diet.

Reaching Eligible Households

An additional significant concern facing the Food Stamp Program is that the program is reaching fewer eligible households, especially households with children. Historically, food stamps has had fairly healthy participation among eligible households. According to USDA, 70.8 percent of eligible households participated in the program in 1994. By 1998, the most recent year for which we have data, the share of eligibles participating was down to 59.4 percent. Participation rates for the elderly and disabled, although low, have held fairly stable, but households with children have seen significant declines. In 1994, 82.4 percent of eligible households with children participated in the program, compared to 68 percent in 1998. The decline extends even to very young children. In 1994, some 95.4 percent of eligible preschool age children participated in the program, compared to 70 percent in 1998.

The share of working households who participate also has been declining; in 1994, 59.2 percent of households with children and earnings participated, compared to 50.8 percent in 1998. Although the participation rate for households with children and earnings was not especially strong even in 1994, it is unfortunate that the program is doing *less* well at serving working poor households at the same time that welfare reform in most states has encouraged poor families to rely upon work rather than cash assistance.

Although no one has been able to explain successfully why the Food Stamp Program is doing less well in serving working families, we believe several factors can explain much of the decline.

- Many families leaving TANF for work are not staying connected with the food stamp program despite remaining eligible. Research by the Department of Health and Human Services as well as the Urban Institute shows that a significant share of individuals leaving the TANF cash assistance program do not continue to participate in the food stamp program despite earning very low wages and likely remaining eligible for the program. Additional research by MDRC indicates both that many families that leave TANF cash assistance are not aware they remain eligible for food stamps and that the steps required to remain eligible often are inconvenient and confusing. MDRC also suggests that if families on cash assistance knew they would continue to be eligible for food stamps (and Medicaid) when they obtain a job, that the families would be more likely to look for work.
- In some states, it is more difficult for working families to apply for and retain food stamps than it is for households on cash assistance. Working families face more significant procedural barriers to participation such as more frequent visits to the welfare office and stricter verification requirements. States have created these procedural barriers in response to the fact that households with earnings are more error-prone in the food stamp quality control (QC) system.

Currently, states' performance in the food stamp program is assessed solely by whether they issue benefits accurately.

When a household's income varies substantially from month to month, states ordinarily must constantly readjust the household's benefit level to avoid an error. This poses little difficulty for households receiving welfare or other public benefits paid in amounts that do not change from month to month. Even modest changes in a working recipient's hours, however, can result in a QC error if not promptly reflected in her or his food stamp allotment. As a result, virtually every state has a higher error rate for working households than it does for those where no member is employed.

The food stamp QC system imposes fiscal penalties on states whose error rates exceed the national average. By definition, this means that about half the states are subject to QC sanctions every year, and many more are close enough to the national average that they must watch their error rates closely. The threat of these penalties has caused states to take extraordinary measures to monitor intensely changes in the circumstances of working households. In many states, low-wage working families face formidable procedural barriers to obtain food stamps. For example, they might be required to visit the food stamp office and reapply for benefits every three months. Households are rarely permitted to schedule this appointment outside of working hours and may have to take time off of work in order to maintain their food stamps. These low-wage workers often have to provide significant paperwork to document their wages or may even be under pressure to permit the state to call their employer. In states that have not adopted three-month certification periods, households with earnings may need to file paperwork with the state each month if their monthly wages fluctuate by more than \$100. In contrast, applying for health care often involves only a mail-in application and limited paperwork.

Between 1994 and 1999, several states sharply increased the proportion of working families with children required to reapply every three months. Nationally, data gathered through the food stamp QC system show that the proportion of working families with children required to come into food stamp offices at intervals of three months or less more than tripled between 1994 and 1999, rising from less than one-tenth to a full one-third of such households. Overall participation rates fell from 74 percent to 55 percent between 1994 and 1998 in the eleven states that increased their use of three-month certification periods for working families with children by more than 50 percentage points during this period. In other states, the participation rate fell only

half as much,
from 70 percent to 61
percent.

Ten of the twelve
states that
increased the
proportion of
working families
required to apply
every three
months by at least 50 percentage points experienced declines in participation for working families that exceeded the national average for this period. In addition, four of the five

states with the largest declines in food stamp participation among working families between 1994 and 1999 dramatically expanded their use of three-month certification periods during those years.

USDA now adjusts the fiscal penalties that states face under the QC system as a result of serving a larger than average share of working households. This was an important first step in softening the disincentive to serve working families built into the quality control system. The adjustment does not provide a prospective incentive to serve working families, however, as it occurs some six months after the end of the QC measurement period.

Food Stamps Can Work Better

Improvements can be made that address these issues. Resources are needed to retool the program to improve access to the working poor, address gaps in coverage, and improve the overall adequacy of benefits. We would encourage the Agriculture Committee to make a significant investment of resources into the food stamp program as a part of reauthorization.

This year's bipartisan bill HR. 2142, co-sponsored by Representatives Walsh (NY), Clayton (NC), Diaz-Balart (FL), Hall (OH), Johnson (CT), Kaptur (OH), Leach (IA), Lee (CA), Kelly (NY), Levin (MI), Morella (MD), Towns (NY), Quinn (NY), Hinchey (NY), and Foley (FL), and DeLauro (CT), the Nutrition Assistance for Working Families and Seniors Act of 2001, is an excellent step toward making much-needed improvements in the food stamp program. A companion bipartisan bill was introduced in the Senate as S. 583. These bills would restore benefits to legal immigrants, improve the adequacy of food stamp benefits, ease the transition from welfare to work, and create pilot projects designed to improve access to the food stamp program. H.R. 2142 includes provisions aimed at the elderly, the disabled, and families with children. The emphasis on improving benefit adequacy and improving service and access to the working poor are themes I urge the Committee these proposals in reauthorization.

If enacted, H.R. 2142 would bring welcome improvements to the food stamp program. The bill, however, is not intended as a reauthorization package. Additional changes are needed in reauthorization to improve the program.

Revisiting Benefit Restrictions – The benefit restrictions enacted in 1996 were particularly harsh. They should be reconsidered during reauthorization.

Restoring Benefits to Legal Immigrants – Although a restoration is addressed in HR. 2142, this proposal merits additional mention. These restrictions are too severe and their impact has been much broader than originally anticipated.

Improving the Three-month Time Limit – Some modification of the three-month time limit on childless unemployed adults is also needed. In addition to the adverse impacts of the time limit on these individuals, states have complained that this provision is overly complex and difficult to administer. Prior to an unexpected amendment on the House floor, this Committee proposed legislation that would have allowed unemployed childless adults to receive food stamps at least four months out of any twelve. The original House welfare bill, passed in the first 100 days of 1995, limited childless adults to receiving three months of food stamps at a time but did not place an arbitrary limit on how long they must wait to reapply if they again needed assistance. One could consider changing the current cut-off (which generally limits eligibility to three months out of any 36-month period) to allow these individuals to receive benefits for up to six months. The Committee also may want to consider expanding the definition of an allowable work activity to include rigorous job search and job search training, which currently do not qualify.

Improving Benefit Adequacy – Today the federal government is running a budgetary surplus. The benefit reductions enacted in 1996 that affect the elderly, the disabled, and working families with children are no longer necessary. These cuts should be reexamined.

In addition, the overall adequacy of the food stamp benefit structure should be reexamined. A wide range of proposals could be considered under the rubric of benefit adequacy. HR. 2142 contains several excellent proposals to improve benefits. The following suggestions highlight additional options the Committee may wish to consider (this list is by no means exhaustive).

Restoring Food Stamps' Sensitivity to Inflation – Although it is included in HR. 2142, the proposal to reinstate indexation in the food stamp deduction merits further mention. The standard deduction is supposed to reflect various non-food expenses that families incur and that rise with inflation. Increasing and reindexing the standard deduction would improve the overall adequacy of the food stamp benefit and restore the program's responsiveness to the increasing cost of living. The additional proposal to scale the standard deduction to household size would have an unprecedented anti-poverty impact because larger households tend to be poorer and face additional basic costs.

Modernizing the Asset Rules – Current food stamp asset rules are unduly restrictive in their effects on working families. Families receiving cash welfare assistance are automatically eligible for food stamps and hence are not subject to the food stamp asset test. Working families, by contrast, are subject to this test, which was designed several decades ago. In states that have modified the asset rules they use in TANF, as many states have done in recent years, working families consequently face more-restrictive food stamp asset rules than do families receiving cash assistance. The food stamp asset rules make ineligible for assistance some working-poor families that most policymakers would regard as needy. These rules also are overly complicated. Finally, the food stamp asset limits have not been adjusted since 1985; the Consumer Price Index has risen about 60 percent since then.

Improving Nutrition for the Elderly and Disabled -- According to USDA, most eligible elderly and disabled SSI recipients participate in food stamps. While the food stamp program does a good job of delivering food stamp benefits to the poorest elderly and disabled, service to elderly and disabled overall could be improved. In particular, the current optional state project that allows SSI recipients to apply for food stamps at their local Social Security office ought to be reviewed to determine if legislation could facilitate or expand these efforts. Any undertaking in this area should ensure that the over one-half of elderly and disabled households that benefit from the shelter deduction continue to do so.

The impact of electronic benefit transfer (EBT) on the elderly and disabled also ought to be evaluated in reauthorization. Many elderly and disabled receive small benefits and choose to let accrue them over several months before spending them. We are concerned about reports that many elderly and disabled who save up several months of benefits before making a single large shopping trip have their benefits terminated under EBT rules. Current policy in many EBT systems takes benefits off-line after three months. These elderly and disabled recipients may believe mistakenly that they are no longer eligible because their EBT cards do not work. This policy should be reexamined in reauthorization.

Improving Access to the Food Stamp Program -- Food stamps can provide a powerful anti-hunger and anti-poverty benefit to most low-income households. Unfortunately, many working poor households have found it too difficult to obtain and retain food stamps due to burdensome application and verification procedures. Efforts should be made in reauthorization to ease access barriers and facilitate the combined delivery of food stamps with other important work supports such as Medicaid and child care. These efforts should not, however, undermine the current

design of the program or radically redistribute benefits among poor households. The goal should simply be to improve delivery. Policy makers with responsibility over the Medicaid and State Children's Health Insurance Program would have much to share with the Committee on how to improve access.

Improving the Food Stamp Quality Control System – An overhaul of the food stamp performance measurement system is sorely needed. The current system can drive states to institute procedures that might reduce errors without balancing the magnitude of the error-reduction effect against the magnitude of the effects the new procedures will have on participation by eligible households, and in particular, by working poor families. The data indicate that the food stamp QC system and policies that states institute in reaction to it have had an adverse impact on access to the food stamp program in recent years.

States actually have quite a bit of flexibility under the current program to ease program access and simplify paperwork requirements. For example, federal law only requires families to reapply for food stamps once every twelve months. Yet few states will take advantage of this flexibility so long as the QC system penalizes them for serving an increased share of working households. Improvements in the QC system could do a great deal to enable states to improve access to the program for eligible households, particularly working families.

Reauthorization must provide for a more realistic and comprehensive assessment of states' administration of the food stamp program. Payment accuracy should continue to be the centerpiece of the assessment, as is necessary in a program whose benefits are funded entirely by the federal government, but the system's penalty provisions should be redesigned to be more consistent with the recommendations the National Academy of Sciences made for reform of the of the QC system in the late 1980's. (USDA asked the NAS to conduct the review.)

Furthermore, the performance measurement system should be more balanced. In addition to payment accuracy, states could be rewarded for strong customer service, such as providing benefits in a timely fashion, limiting the number of improper denials and increasing the number of working households served by the food stamp program.

Improving and Simplifying Program Administration – Various rules related to food stamp eligibility and benefit determination are too complex for a program aimed at working families, especially certain rules related to small amounts of income, such as income from the sale of plasma or garage sale income. In an effort to ensure that no family receives a dollar more than it needs, federal rules get into minutia that can deter participation. Some of these intricate rules are in law; some are in regulations. Such rules should be reviewed and cleaned out in order to reduce the number of minor forms of income and assets that must be assessed.

Some simplification of the deduction structure also may be possible. Efforts in this area should be extremely sensitive to the impact simplification would have on those who benefit from the deductions. Millions of households receive a part of their food stamp benefits as a result of the current deduction structure. Modifying the deductions with the sole goal of simplification could

have deleterious impacts on millions of individuals. That having been said, some simplification is possible.

For example, if a Medicare prescription drug benefit is enacted and the component of Medicaid that pays for Medicare premiums, deductibles, and co-payments for poor elderly and disabled is improved so it reaches more of those eligible, elimination of the food stamp elderly Medicaid expense deduction could become a possibility. Without such an improvement in prescription drug coverage, eliminating the medical deduction would result in reducing benefits for over 300,000 participants. Some 32,000 recipients would lose eligibility altogether.

In addition, some have raised concerns that the food stamp shelter deduction is unnecessarily complex. Measures should be explored to simplify the deduction without eliminating it or compromising its role in targeting benefits on families whose housing costs significantly reduce the income they have available for food. So while the use of an average deduction across households should not be acceptable, it is possible to simplify the deduction to make it easier for clients and less error-prone for states.

A significant part of the complexity involves the rules for calculating households' utility costs. Current law seeks to simplify these determinations by allowing states to use statewide estimates called standard utility allowances (SUAs) in lieu of determining each household's actual utility costs. Unfortunately, it imposes limitations on when the SUA may be applied that, although analytically rational, greatly undermine its capacity to simplify the calculation of the deduction. Although these rules do not affect terribly large numbers of households, they markedly increase the complexity of the procedures that states must teach their eligibility workers and the instructions they must program into their computers. These complicated SUA rules also appear to be a significant source of quality control errors. The State of Montana has had a waiver very similar to this proposal in place for several years. They believe this approach is a dramatic simplification over the current federal SUA rules.

Promoting Alignment with Medicaid – The number of participants receiving both Medicaid and food stamps now substantially exceeds the number of recipients either program has in common with TANF. About one million uninsured children reported receiving food stamps in 1999, and three to four million children with incomes under the food stamp income eligibility limit reported receiving Medicaid but not food stamps. In both cases, the children are primarily in working families. Better coordination between the programs could help to connect eligible nonparticipants to the programs. This suggests that efforts should be made to develop simpler joint application forms and procedures by which working families can apply for Medicaid and food stamps together, preferably in settings outside of the welfare office.

Such efforts would be facilitated if states were able to align the two programs more closely by using common definitions of gross income (so long as major sources of earned and unearned income were included). This would streamline the food stamp income definition rules and assist coordination between the two programs. In addition, states could better coordinate eligibility reviews if the Food Stamp Program adopted Medicaid redetermination rules in lieu of food

stamp recertification rules. If food stamps and Medicaid were better coordinated, states could build additional work support programs (such as child care) into a basic package for workers. Since federal child care funding streams do not regulate how states deliver child care benefits, states could simplify access and package Medicaid, food stamps, and child care together for working families. Finally, it might be useful to test allowing states to apply Medicaid or SCHIP verification procedures in determining food stamp eligibility for families seeking both benefits.

Facilitating Enrollment Outside of the Welfare Office – Many have suggested that more eligible working families would participate in the food stamp program if they could apply somewhere other than the welfare office. This has been an important strategy in the campaign to enroll eligible children in health insurance. It would be helpful to test similar strategies in the food stamp program. As more and more poor families are engaged in work and do not have contact with the welfare office, they are at risk of not receiving food stamps. It is important to find new ways to improve program performance in this area. Alternative approaches the Committee may wish to consider testing could be to co-locate food stamp eligibility workers with outstationed Medicaid and SCHIP eligibility workers at hospitals, clinics, and other health care providers serving large numbers of low-income people. Another approach might be to allow households to apply for food stamps over the Internet and be interviewed by telephone rather than visiting the welfare office.

Would Converting Food Stamps to a Block Grant Be a Wise Policy to Pursue?

Finally, I would like to take this opportunity to discuss whether or not converting food stamps to a block grant would be a policy the Committee should pursue. This issue figured prominently in the debate over the 1996 welfare law and may reemerge in the reauthorization debate. Such a radical change in the program would be ill-advised for several reasons.

The food stamp program is the most responsive of all means-tested programs to changes in need, responding to a greater degree to increases and decreases in poverty and unemployment than any other program. If more households in a state qualify for food stamps because poverty increases, as can occur during a recession or as a result of strong state population growth, the program automatically expands and serves more people. When poverty subsequently declines, the program contracts. Under a block grant, the program's ability to respond immediately to fluctuations in the economy and changes in need would be lost. States would receive a fixed amount of funding at the start of the year. If unemployment increased, states would have to choose between bearing 100 percent of the additional food assistance costs themselves (at a time when state revenues were declining due to the economic downturn), reducing benefits, or placing new applicants on waiting lists in the midst of a downturn when jobs are hard to find.

Proponents of the block-grant approach tend to argue that a block grant has not produced problems in the cash assistance area and thus it is safe to extend this program structure to food stamps. But the food stamp program is designed to be far more responsive to changes in the economy than AFDC or TANF; food stamp caseloads have risen and fallen much more in response to economic cycles than cash assistance rolls have. Moreover, the TANF block grant

had the good fortune to be based on spending in high-expenditure, relatively high-unemployment years, providing a cushion for states. By contrast, food stamp participation is now at its lowest level in 21 years, with food stamp costs down accordingly. A food stamp block grant tied to current expenditure levels would cause serious hardship when poverty increased. Moreover, the fact that TANF is a block grant, with funding levels that do not respond well when need changes, heightens the need for the food stamp program to retain its current funding structure; that way, if some states run into difficulty with TANF funding levels during a downturn and are unable to meet needs, the food stamp program can fill a portion of the gap the TANF shortfall creates.

It is doubtful a formula could be designed for a food stamp block grant that would prevent the loss of much of the program's responsiveness to changes in need. Efforts to come up with such a formula when a food stamp block grant was being debated in the mid-1990s were unsuccessful. If one bases state block-grant funding levels on some sort of a formula, rather than on expenditures in a base year as TANF does, the information on which the formula was based would become outdated when the economy changed. At any point in time, the most recent state-by-state poverty and income data are several years old. State unemployment rate data do not solve this problem either: they do not pick up shifts from full-time to part-time work or erosion in wages that can occur during a downturn; they do not reflect the disproportionate job losses that can occur among the least skilled when the economy sours; and they contain a lag of a number of months, especially since monthly (as distinguished from quarterly) state unemployment rate data are too volatile and imprecise to be used for such a purpose.

The conversion of food stamps to a block grant also would represent dubious macroeconomic policy, as it would end the automatic response during recessions of the principal means-tested program that responds in this manner. The food stamp program functions as what economists call an "automatic stabilizer," infusing more purchasing power into the economy when the economy turns down. The late Herbert Stein, chairman of the Council of Economic Advisers under President Nixon, observed several years ago that the increase in means-tested benefits during recessions provides laid-off workers the means to purchase essential goods and services, stimulates demand, and helps to stabilize businesses that serve these workers (*Baltimore Sun*, 1995).

In addition, conversion to a block grant could render the food stamp program unable to prevent variations between states in the benefit packages that poor children receive from growing larger than they already are. The loss of the national food stamp benefit structure could be injurious to children in another respect as well. Not only does the current benefit structure automatically lessen disparities among states in cash benefits for poor children and their families, but it also lessens the wide disparities between cash benefit levels for the elderly poor and poor families with children. Under a block grant that lacks a requirement for a single benefit structure across the various categories of poor households, it is a distinct possibility that benefits in some states would shift over time to the low-income elderly (a more politically popular group) at the expense of low-income children and families, even though poor families with children fall further below the poverty line, on average, than poor elderly households do.

Finally, a food stamp block grant tied to current expenditure levels would provide no room to address the largest problem facing the program — low participation rates among eligible working families. Funds would not be available to improve participation rates among such families unless benefit levels were cut or some categories of households now eligible for assistance were made ineligible.

For these reasons, the block-grant course would be unwise to pursue. Nor is a demonstration of the block-grant approach recommended; the inherent problems with the approach are too severe. In addition, a demonstration would not be particularly meaningful unless it covered a recession as well as a recovery period. A demonstration also could create equity problems across states with regard to issues such as food stamp quality control requirements and sanctions. A much sounder approach is to identify aspects of the food stamp program in which federal rules are overly detailed and complicated and to modify such rules, pursue program simplification, identify areas of the program where new or expanded state options would be appropriate, strengthen various program features that are particularly important to working families, and reform the part of the program that is the single greatest source of state antagonism — the quality control system. States can be granted more flexibility in operating the food stamp program without replacing the program with a block grant.

In conclusion, the food stamp program plays a vital role in providing a nutritional floor under the nation's poor. To enable it to continue fulfilling its mission, we need to strengthen the current program by improving service to the working poor, addressing the recent declines in participation, and restoring some of the lost food purchasing power of the benefit.

Again, thank you very much for the opportunity to testify before you today. I would be pleased to answer any questions that I can.

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